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Mr Michael Andrew
Chairman
The Board of Taxation
C/o The Treasury
Langton Crescent
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taxtransparency@taxboard.gov.au

Dear Mr Andrew

Voluntary Tax Transparency Code

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. The G100 is pleased to provide comments on the proposed Voluntary Tax Transparency Code.

The G100 welcomes the consultation paper and commends the Board on the extensive consultation undertaken in its preparation. We believe that the Board has broadly developed a workable and flexible approach to a sensitive issue taking account of domestic concerns and international developments. We note the UK and the EU are developing tax transparency codes (and many other countries are likely to follow suit), and the Tax Transparency Code ("TTC") should be developed, as far as possible, in conjunction with these other codes. Otherwise multinationals will be subject to multiple levels of disclosure and transparency in different countries.

The G100 strongly supports the following aspects of the proposed Code:

- the flexibility of the approach to the location and format of the report. Given the variety of circumstances and arrangements, flexibility in presentation and disclosure enables boards to tailor the presentation of the information to best meet the needs of shareholders and other users;

- the fact that the report is not required to be audited. However, we note that any information included in the financial statements will fall within the scope of the external audit and as with the management discussion and analysis and similar reports, there will be a level of audit involvement to ensure consistency with disclosures that are subject to audit;

- the absence of a compliance regime. We believe that oversight and penalties are not appropriate for a voluntary code where the reputation of the taxpayer is a significant factor in compliance;

- the provision of only qualitative information in respect of related party transactions. The OECD's country-by-country reporting regime already has the potential to impact the Australian tax base where revenue authorities of other jurisdictions seek to interpret quantitative information to increase their tax base.

If this Code were to include the public provision of quantitative information, it would risk the disclosure of commercially sensitive data which disadvantages Australian businesses competing in global markets and could be misused by media and other interest groups, domestically and abroad, to adversely impact the Australian tax base.

The G100 has the following concerns about the proposals:

- the required disclosure of effective tax rates for Australia and on a global basis. For domestically focused companies where the tax consolidated group and accounting consolidated group align, the calculation of an effective tax rate (subject to AASB guidance) is not expected to present major difficulties. However, for companies that have international operations and/or have businesses where accounting and tax consolidated groups are not aligned the information required will need to be generated and will require systems changes to do so, which involves time and cost. In finalizing the Code there needs to be recognition of the time required and the cost of compliance. We note that the UK, in developing its tax transparency code, removed its initial proposal to publish details of ETR's;

- in relation to the approach to tax strategy and governance measures, whilst we agree that the 'taxes paid' report should include a company's approach to risk management, the G100 believes that the detailing of actual tax controls and the measures for testing and assurance of controls may be too detailed for a 'taxes paid' report intended for the use of 'general users' and 'interested users'. Similarly, the G100 believes the inclusion of a description of the particular assurance regimes a business is subject to is too detailed for this particular type of report and would not be of interest to a 'general user'.

- the proposed implementation date of June 2016 in time for the reporting period for 2015-16 financial statements or annual reports. This is essentially a retrospective application of the code from July 2015 and the G100 believes this is potentially unworkable as the final code is unlikely to be released until shortly before the implementation date and will involve systems changes and increased compliance costs for some companies. We note that the UK, which has introduced draft legislation for UK large companies to publish their tax strategies, is doing so on a prospective basis. In addition, the AASB's activity in providing guidance on the determination of the effective tax rate will be subject to its due process which may not be completed before implementation of the Code.

Conclusion

On balance, the G100 supports the Board's proposals and recommendations. The G100 believes that there is scope to clarify certain aspects. However, we believe that:

- in view of the fact that we are now more than half-way through the 2015-2016 financial year; and
- the final Code will not be issued for some time, the proposed implementation date should be deferred and/or be prospective.

In addition, given the ongoing development of the UK, EU and other country tax transparency codes, we would recommend that future reviews of the Australian TTC take into account these codes for consistency of information provided.

Yours sincerely
Group of 100 Inc

Zlatko Todorcevski
President